

AG Strategies

Agriculture Business Strategies

November 2005

Agdex 845-13

Direct Marketing Meats... Getting Started

The purpose of this factsheet series is to help producers and processors understand the key elements needed to manage a business. The factsheets also discuss some of the essential components used to develop a business plan and assess the profitability of a business venture.

This factsheet is intended for producers who are thinking about selling meat products directly to consumers. It addresses these critical issues:

- how food and public safety impact your production and processing choices
- where and how to sell your meat cuts
- setting a fair and profitable price for your product
- questions to ask before engaging a processor to ensure that you and your customers get what you want

Deciding to sell meat directly to the consumer means taking more into consideration than just selling meat. A critical first step is to put in place procedures to ensure product quality and consistency.

Maintaining product quality, consistency and safety

Quality is a pasture to plate issue. The product needs to be nurtured and tended from breed selection to packaging.

Meeting customer expectations

When you plant a crop that promises so many bushels per acre, you expect to harvest at least that amount.

When you breed an Angus cow with an Angus bull, you expect an Angus calf, not a Holstein. As a producer, you have expectations.

Customers purchasing meat cuts directly from the producer also have expectations. For a fair price, they expect a safe product of a certain quality and consistency with every purchase. It's your responsibility to meet your customers' expectations.

Quality products

Customers want tasty, tender meat. Your actions contribute to these two factors.

Finish your animals on the same feed and to about the same weight. This helps ensure consistent portion sizes and flavour.

If you say 14-days aged, then make sure the meat is aged for 14 days. This may cost more, but you can charge a premium. Satisfied and loyal customers may make the extra cost worthwhile.

Discuss your expectations with the processor. Make certain your animals can be processed the way you'd like them presented to the customer.

You may provide customers with instructions on handling and cooking the product to maintain the quality you have worked to attain.

Keeping customers

It's easy to make the first sale, but much more difficult to obtain subsequent orders, especially if expectations are not met. An unsatisfied customer will not likely buy from you again and they may tell 20 other people about their concerns.

Customers purchase direct from the producer for a variety of reasons, including your production philosophy. They may wish a natural or organic solution. If your product falls into such a category, be prepared to back up the claim. Your customers want good value for their money, regardless of their buying criteria. They really are no different than you. Treat them the way you'd like to be treated.

Produce safe products

Consumers are looking for assurance that their food is being produced in a safe manner. Industry and governments are working together to develop process control systems that address food safety. These systems are based on the principles of Hazard Analysis Critical Control Point (HACCP). Food safety process control systems focus on preventing hazards rather than detecting problems during inspection of the end products.

The On-Farm Food Safety Program (OFFS) is the program producers can follow to reduce the risk of unsafe food products originating from the farm. This program provides consumers the assurance they are seeking. OFFS programs help create a proper operational environment for food safety through the implementation of Good Production Practices (GPPs) on the farm. These types of practices can be applied to any type of agricultural production operation. The keys are:

- a thorough knowledge of the hazards and risks on the farm
- a good understanding of the GPPs recommended for the commodity and type of farming operation
- an effective written plan for the individual farm

Commodity associations are at different stages within the process of developing new codes of practice and programs for OFFS. These national standards programs are voluntary and are being managed by producer groups. Contact your provincial commodity association for on-farm food safety information for each species. Information about the OFFS program can be found by visiting: [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/afs4361?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/afs4361?opendocument) and then clicking on the appropriate commodity link.

Know the regulations

If there is a food safety issue with one of your products, ensure you have a trace back system in place that allows you to easily identify the animal and processor involved in the production of that product. Keep accurate production, processing and marketing records. Your record keeping system is crucial if you are faced with a recall or food safety crisis. Accurate records help you identify affected product and limit the scope of the recall.

Only inspected meat can be sold in Alberta. Use provincially regulated slaughter and processing facilities in which you have confidence. You should be comfortable taking your customers there.

Always pick up orders from the processor in a clean vehicle that is free of pets, dirt, chemicals, farm supplies and other contaminants. A food establishment permit is required from the regional health authority to transport, store and market your meat products in Alberta.

The cost of foodborne illness

Health Canada estimates 2.2 million cases of foodborne illness occur annually. The cost to the Canadian economy is estimated at a staggering \$6 billion annually. Thousands of Albertans become sick each year and some die after eating contaminated or mishandled foods. Children, the elderly and those in poor health are especially vulnerable to foodborne illness. Are you doing all you can to keep your food safe for customers?

Your customers trust that the way you raise, harvest, process and deliver a food product makes it 100 per cent safe to consume. They trust that you have a food safety system in place and it addresses all processes where food safety problems can originate.

Actions speak louder than words

Trust is built on more than verbal assurances of "I eat it!" Your actions will go much further to deliver a safe product. Use safe food handling practices and teach your customers how to handle the product in a safe manner.

Establish and monitor safe product handling procedures. Use your record keeping system as a check to document your actions.

Here are some points to consider

On-farm production

Use only registered pharmaceuticals and pesticides. Follow labelled instructions to ensure adequate withdrawal times are observed. This can prevent antibiotic, other drug and chemical residues in the animal. Be sure to document dates of drug administration and withdrawal times. Use common sense.

Transportation and storage

Provide adequate cold storage space for chilling meat cuts. The temperature of chilled meat must be maintained at 4°C or less. Frozen meat must be kept thoroughly frozen at all times and should be stored at -18°C or less to maintain product quality. Pre-cool equipment before loading. Monitor and record the temperature of equipment used for transport and storage. Use coolers with frozen ice packs or generator-operated freezers for sales and delivery. Document product temperatures throughout travel and during storage. Ensure customers know how to transport meat products safely. Improperly stored products spoil faster and lose quality quickly. Once at your farm, immediately unload the meat cuts into a pre-cooled freezer or refrigerator and ensure that proper temperatures are maintained. Ensure your retail freezer storage is separate from your home-use freezer, meat intended for sale must be stored independently.

Selling direct

Know the regulations and requirements needed for licensing and operating a farm direct marketing venture. Obtain a Food Establishment Permit from the regional health authority. Educate customers about the rapid growth of bacteria when the temperature of meat is above 4°C. At an extra cost, offer coolers and frozen bottled water labelled with your farm business name or ice packs so customers can keep the meat cool on the trip home. Another option is to remind customers to buy ice as quickly as possible after making their purchase. Wear clean clothes and remove jewellery when handling food. Avoid chewing gum and tobacco, eating and smoking. Wash your hands and clean equipment frequently. Provide access to adequate hand washing equipment when handling meat and meat products.

Following these simple steps will help you maintain the health of your customers and your business.

Pricing your meat products

Knowing what to charge for your product can be challenging. You need to calculate your costs and choose a strategy that provides an acceptable profit.

Research

Setting a price that provides your customers good value and your business a fair profit is a challenge when developing a new product. A good place to start is the price charged for comparable products. To determine the price you can set for your product, you will need to do the following:

- know all your costs
- understand what your customers want and what they willing to pay for it
- monitor what other farm direct marketers are charging for similar products
- be aware of the regular retail price in your market area for comparable cuts
- understand the market environment
- determine a reasonable profit

You are competing against other farm direct marketers and retailers, especially those selling meat products or entrees. Be prepared to work as hard at making a profit as they do.

Avoid competing on price. Compete on product quality and service. Make sure your product meets an identified need. Know what makes your product or service unique and market those benefits. Your products are different than those on retail store shelves, so your prices should be too.

Determining your costs

On-farm production

These costs are the most complex to calculate, but are the most useful. Cost categories are the same for any farm enterprise. They include: feed, veterinarian, breeding, pasture, utilities, fuel, equipment, buildings, custom work, interest, taxes, insurance and paid labour, etc. Itemizing all your costs allows you to better evaluate your alternatives and identifies ways to improve your overall cost structure. Software tools can be helpful, but paper and a pencil will work as well.

Slaughter and processing

These costs are easier to track because they are billed directly. Be sure to include live transportation, slaughter, rendering, cutting, storage and wrapping charges. Rendering charges have increased significantly in recent years. Be prepared to pass these costs on to your customers.

Marketing and storage

Phone expenses, freezer space, electricity, promotional materials and advertising are just some of the common costs in this category. Be sure to add in the cost of picking up the meat from the processor. Factor in your time spent driving to the market, manning the sales booth or delivering the product to customers.

Pricing your product

Now comes the challenge. What you have left to sell after processing weighs a lot less than your live animal because the hide, internal organs and bones are removed. Weight also depends on the breed, the animal's conformation, finishing feed rations and overall health of the animal.

Your processor can provide guidance when addressing all issues from weight to type of cuts. If you do not have specific cutting instructions from a customer, the processor may recommend standard cuts. Remember, when selecting cuts, what you prefer doesn't matter. You are not the customer.

There is a considerable difference in price between a custom order and getting an order custom processed for retail sale. It may cost you more, but remember, you are not the client. Your customer is. Farm direct market customers are willing to pay for the value they receive.

When it comes to setting a final price, you have three different options:

- sell per pound, based on the whole or a portion of the carcass
- sell meat packaged at specified weight and at a specified price
- sell at a price per weight, per cut

How you choose to sell depends on your business strategy, your market and your competitors. Your decision will help you establish a price that ensures your costs and interest are covered. Keeping records of your meat sales helps you project sales volume and the overall value.

Finding and working with a meat processor

When marketing meat directly to customers your processor is an important *part of your business*.

Meat processors are entrepreneurs, just like you. To work most effectively with you they need to be your business partner. They are like your fuel agent, machinery dealer, crop input supplier or veterinarian. All should be an integral part of your farm production operation.

Finding a facility

Your processor needs a provincially inspected facility licence to harvest and process your meat products. All meat sold in Alberta must be processed in a registered facility.

It is important to develop a working relationship with your processor, so plan to visit more than one facility before choosing a processor. Meet the people working and managing the business. Ask yourself if you would be happy to show their facility to your customers. Remember, most processors have an existing clientele. Some may even process their own products. They will consider your business only if they can fit it in or if they see an opportunity for a good, long-term client.

A long-term relationship benefits both you and the processor. It provides the processor a new client and assures your customers that they are receiving a high quality, consistent product. Both contribute to the success of your new business venture. You can find a list of provincially inspected facilities on Ropin' the Web at: <http://www.agric.gov.ab.ca/food/process/fdprcdir/index.html> or by calling the Alberta Ag-Info Centre at (866) 882-7677.

What to ask?

Before visiting the processor, prepare a list of questions to ask. Some of your questions may centre on various costs, but don't forget to ask about:

- aging
- packaging
- cutting
- labelling
- timing to book animals
- boxing and/or delivery
- the processor's food safety program

Be prepared for some questions in return. The processor may ask you about:

- the type and number of animals to be processed
- product aging
- types of cuts
- financial credibility

Before making your final choice, ask the potential processor to prepare an animal for your home use. Evaluate the product you receive. Did you get the cuts you asked for? Is the fat trim satisfactory? Do you like the packaging and labelling? Is the quality of the cutting consistent? Would you buy this product?

Making it Work

Once you have selected a processor, be sure to clearly outline your needs and ask for theirs. Inquire as to how you can make it easier for them to do business with you. You are both looking for a win-win situation. Your win is getting the animals processed in the right manner and when you need it done.

The processor's win may be more volume in their business or it might be timing of the business. The bottom line is that you each want to be more profitable because of your business relationship.

For more information

Alberta Agriculture, Food and Rural Development's Farm Direct Marketing Protein Team key contacts:

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The following publications are available from Ropin' the Web by going to: www.agric.gov.ab.ca/diversify and then clicking on Farm Direct Marketing, or by calling toll free either the Ag-Info Centre at (866) 882-7677 or the Publications Order Office at (800) 292-5697.

- Ag-Strategies Series – Farm Direct Marketing for Rural Producers (Agdex 845-6)
- Farm Direct Sales: Know the Regulations (Agdex 845-7)
- The Essentials of Pricing (Agdex 845-1)
- Methods to Price Your Product (Agdex 845-2)
- Direct Marketing Profits... Cheese Production and Marketing Enterprise (Agdex 410/821-3)
- Direct Marketing Profits... Direct Market Beef Enterprise (Agdex 420/821-3)
- Direct Marketing Profits... Direct Market Poultry Enterprise (Agdex 450/821-1)
- Direct Marketing Meats... Selling Meat at Alberta Approved Farmers' Market (Agdex 400/845-1)
- Direct Marketing Meats... Selling Lambs at Alberta Approved Farmers' Market (Agdex 430/845-2)
- Direct Marketing Meats... Selling Freezer Chicken – (Agdex 450/845-1)
- Direct Marketing Meats... Selling Freezer Pork – (Agdex 440/845-1)
- Direct Marketing Meats... Selling Freezer Lamb – (Agdex 430/845-1)
- Direct Marketing Meats... Selling Freezer Beef – (Agdex 420/845-1)
- Direct Marketing Meats Resource Guide
[www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/apa5132?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/apa5132?opendocument)

Internet links

Alberta Agriculture, Food and Rural Development's Food Safety Division [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/afs7806?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/afs7806?opendocument)

Alberta Health webpage – <http://www.health.gov.ab.ca/>

Beef Information Centre – <http://www.beefinfo.org/>

On-Farm Food Safety – [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/afs4361?OpenDocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/afs4361?OpenDocument)

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